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INTERNAL TRADE BRANCH

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BRANCH PLANTS, SUBSIDIARY AND AFFILIATED COMPANIES

BRITISH AND FOREIGN CAPITAL INVESTMENT IN CANADA

The extent of investment in Canadian industry by United States, other foreign countries and Great Britain is a subject of great interest and importance. All young or undeveloped nations have been dependent on large capital investments by outside countries for the development of their natural resources. Without such monetary assistance industrial progress would be slow and desperately difficult. Canada has for many years received large investments from other countries. Fear is sometimes expressed that these outside nations by starting industries in this country or investing their capital in various Canadian enterprises, commercial, governmental, financial or other, are obtaining a strangle-hold on our economic existence. An investigation made by the Dominion Bureau of Statistics throws much light on this subject.

In this study an effort was made to ascertain the extent and financial significance of the branch plant movement in Canada, and also the geographical distribution of ownership of the capital employed in Canadian enterprises of Canadian origin.

BRANCH PLANTS

There is considerable confusion in regard to the term "Branch Plant"--a term which is used loosely to describe firms in Canada which have connections with concerns in other countries. Sometimes its meaning is restricted to manufacturing establishments; in other instances it is given a more inclusive significance and takes in not only manufacturing concerns but also assembly establishments, agencies, distribution and other establishments.

Most branches or subsidiaries of British and foreign countries become incorporated as Canadian companies under Dominion or Provincial Charters. Others, however, do not become incorporated but are branch factories which take out a license to do business in this country. This latter group is most accurately designated "branch manufacturing plants". A second large class may be grouped under the head of companies incorporated in Canada, subsidiary to or affiliated with outside capital. Usually these have a parent company in another country, though in numerous instances they are controlled by individuals or organizations (not parental) through stock ownership.

A third class consists of companies incorporated in Canada, which are assembly plants, agencies, distribution establishments, financial houses, etc. Of this latter class, only assembly plants, and in some cases agencies, are included in the present bulletin. Distribution establishments will be covered in the forthcoming census of merchandising and trading establishments and will be the subject of a subsequent report.

To the above might be mentioned a fourth class which though not really consisting of branch or subsidiary firms is intimately related to outside firms through the use of patents, trade-marks, etc. Thirty-nine firms are listed in this class, and in all of these, control through capital ownership is in the hands of Canadians.

A. UNITED STATES

In the Bureau's investigation, 1,071 United States branch, subsidiary, affiliated and other controlled establishments were listed, (exclusive of 39 firms associated through use of patents, etc.) as of January 1st, 1930. Of these, 114 were non-manufacturing. Many consisted of several units as, for example, the International Paper Company which has a large number. In such cases, however, the firm is counted as only one. Capital employed (as distinguished from capitalization) in

these 1,071 firms was \$1,541,355,000. When returns for the agencies, distribution firms, etc., omitted in this report are available, it is estimated that the total of 1,071 will be increased to at least 1,200 and that capital employed will amount to a sum in the neighborhood of \$1,750,000,000.

104 of the 1,071 United States concerns are branches which have not been incorporated as Canadian companies (89 manufacturing and 15 non-manufacturing) and 967 are subsidiary, affiliated or controlled Canadian incorporated companies.

Even though plants fall within the categories branch, subsidiary or affiliated concerns, it does not follow that their ownership lies wholly abroad. The 104 which are not incorporated as Canadian Companies are wholly owned abroad. 327 subsidiary or affiliated companies are wholly controlled abroad (the measure of control being based usually on the ownership of common stock). The remainder had the following degrees of outside control: 339 over 90%; 63 from 80% to 90%; 65 from 70% to 80%; 51 from 60% to 70%; 82 had 50% control. In 5 there was less than 50% control through common stock, but bonds and preferred stock gave a majority of ownership to outside countries. In 19 there was less than 50% outside control (preferred and common stocks considered). Four had combined U.S.A. and British control. Two had combined United States and other foreign countries control.

Total capital employed (as distinguished from capitalization) amounted to \$1,541,355,000, ownership of which was distributed as follows: Canada, \$277,440,000 or 18%; United States, \$1,186,828,000 or 77%; Great Britain, \$73,368,000 or 5%; other countries a negligible amount.

B. GREAT BRITAIN

172 British branch, subsidiary or affiliated concerns were listed in the Bureau's inquiry on January 1st, 1930, 58 of which were non-manufacturing. Three additional were connected through patent rights, etc. Capital employed amounted to \$199,141,000. When all agencies and distribution firms are added the sum will be substantially in excess of this amount.

Sixteen of these British concerns have not been incorporated as Canadian companies and are wholly owned abroad. One hundred and fifty-six are subsidiary or affiliated companies with Canadian incorporations. Of these, thirty are entirely owned by British capital. Fifty-six are over 90% owned in Great Britain, eight over 80%, ten over 70%, eleven over 60%, twelve have a 50% control. One has less than 50%, with preferred stock or bonds making the majority; twenty-two have less than 50% ownership; six are controlled by British and United States capital.

Total capital employed amounted to \$199,141,000, ownership of which was distributed as follows: Canada, \$24,387,000 or 12%; Great Britain, \$164,561,000 or 83%; United States, \$9,415,000 or 5%; elsewhere negligible.

C. FOREIGN

Seventeen foreign branch, subsidiary or affiliated concerns (other than United States and Great Britain) were listed January 1st, 1930, one of these not being incorporated as a Canadian company. Three others were also entirely owned by outside capital. Five were over 90% owned, one over 70%, two over 60%, one 50%, three had less than 50% outside control, and one was controlled by a combination of United States and other foreign capital.

Total capital employed in the fourteen concerns was \$5,724,000, ownership of which was distributed as follows: Canada, \$1,259,000 or 22%; Great Britain and United States, 1%; elsewhere, \$4,407,000 or 77%.

TOTAL INVESTMENTS

In all 1,260 branch, subsidiary or affiliated establishments, capital employed amounted to \$1,746,220,000, ownership of which was distributed as follows: Canada, \$304,032,000 or 17%; Great Britain, \$246,616,000 or 14%; United States, \$1,189,590,000 or 68%; other countries, \$5,982,000 or less than 1%.

It will be seen, therefore, that in such establishments Canadians have nearly 20% interest, and experience has shown that such interest increases. There have been many instances of firms established by outsiders in Canada eventually

being taken over by Canadian capital. Of course, opposite tendencies also are found such as the purchase of Christie, Brown & Company by the National Biscuit Company; or the Borden Company's purchase of dairies. To see such facts in their proper perspective, however, it is necessary to compare the figures with those for the geographical distribution of ownership of all capital employed in Canada. It is estimated by the Bureau that the amount is \$17,500,000,000. This sum includes the bonded indebtedness of Dominion, Provincial and Municipal governments, investments in railways, all manufacturing concerns, mines and metal industries, public utilities, trading establishments, finances, insurance, land and mortgage. It does not include private capital in domestic enterprises such as farms, homes, etc. Of this sum it is estimated that 65% or \$11,500,000,000 is owned in Canada; 20% or \$3,500,000,000 in U.S.A.; 13% or \$2,200,000,000 in Great Britain; 2% or \$300,000,000 in Other Countries. It is obvious that the control of our enterprise is very preponderantly in our own hands. If the basis of comparison be our total national wealth, foreign and British investments decrease in significance still further. Our national wealth is now probably \$30,000,000,000; British and foreign investments of capital in Canada are \$6,000,000,000 or just 20%. It should be remembered also that Canadians have investments abroad which are estimated to be in the neighborhood of \$1,750,000,000.

